

Message Text

CONFIDENTIAL

PAGE 01 CAIRO 03639 012010Z
ACTION SS-25

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FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 2285
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C O N F I D E N T I A L CAIRO 3639

EXDIS

E.O. 11652: GDS
TAGS: ENRG, PFOR, EG, IS, US, XE
SUBJECT: OIL EXPLORATION IN SINAI - CONOCO NEGOTIATIONS CONTINUE

REF: (A) STATE 34608 (NOTAL), (B) CAIRO 3186

1. CONOCO IS CONTINUING ITS NEGOTIATIONS WITH EGPC REPORTED REF B OVER LANGUAGE IN AGREEMENT PERTAINING TO ACCESS TO BUFFER ZONE. CHIEF NEGOTIATOR TOM ODELL RETURNED TO CAIRO FEBRUARY 27. DURING MEETING WITH VISITING CONOCO VICE CHAIRMAN BAILEY ET AL, FEBRUARY 28, AMBASSADOR REITERATED BELIEF THAT IT SHOULD BE GOE RESPONSIBILITY TO OBTAIN WHATEVER U.N. PERMISSION IS NEEDED FOR CONOCO TO BEGIN WORK IN BUFFER ZONE. CONOCO SEEMED TO APPRECIATE THIS ADVICE AND PROMISED TO KEEP US INFORMED AS NEGOTIATIONS PROCEED. AMBASSADOR ALSO PROMISED PASS ALONG DEPARTMENT'S CURRENT THINKING ON THIS MATTER AS REQUESTED REF B.

2. CAIRO BASED CONOCO REPS CONTINUE BE OPTIMISTIC ABOUT CONCLUSION OF AGREEMENT INVOLVING BUFFER ZONE ALTHOUGH WE DETECTED SOME CAUTIOUSNESS ON PART HOUSTON VISITORSTO UNDERTAKE POLITICALLY-SENSITIVE PROBLEM OF ACCESS TO BUFFER ZONE. PERHAPS RIGHTLY, THOSE IN FAVOR OF AGREEMENT POINT OUT THAT IF ISRAELIS, WHO HAVE ALREADY ANNOUNCED EXPLORATION PLANS DISCOVER OIL IN SINAI IN NEXT YEAR, SINAI ACREAGE WILL BECOME VERY VALUABLE WHETHER
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ACCESS PROBLEM SOLVED OR NOT.

3. DURING SIDE DISCUSSIONS WITH VISITING CONOCOO OFFICIALS SOME FURTHER DETAILS ABOUT ISRAELI ARRANGEMENT WITH AMERICAN OIL COMPANY MONCRIEF FOR EXPLORATION IN SINAI CAME TO LIGHT. CONOCO IS NATURALLY VERY SENSITIVE ABOUT ITS CONTACTS WITH MONCRIEF AND ASKED US TO HOLD THE INFORMATION VERY CONFIDENTIALLY.

4. AFTER GOE ANNOUNCED THAT CONOCO WOULD BE AWARDED THE THREE BLOCKS IN EASTERN BUFFER ZONE, WHICH WERE OFFERED BY EGPC LAST JULY, MONCRIEF APPROACHED CONOCO ATTEMPTING TO SET UP PRODUCTION SHARING DEAL. BASIS OF MONCRIEF'S APPROACH WAS A FULLY SIGNED AND VERY OFFICIAL LOOKING OIL EXPLORATION AND PRODUCTION AGREEMENT WITH GOVERNMENT OF ISRAEL FOR NORTHERN PORTION OF SINAI, ONSHORE AND OFFSHORE. (CONOCO REPS NOT SURE IF THERE WAS SOUTHERN BOUNDARY MENTIONED IN AGREEMENT, BUT THEY FAIRLY SURE THAT IT DID NOT INCLUDE GULF OF SUEZ).

5. ACCORDING TO TERMS OF AGREEMENT, MONCRIEF WILL DRILL SEVEN WELLS IN NORTHERN SINAI AREA DURING 1977. TWO WILL BE OFF SHORE AL-ARISH, FIVE WILL BE ONSHORE, VERY CLOSE TO CONOCO'S AREA IN BUFFER ZONE. ACCORDING TO MAPS PRESENTED BY MONCRIEF, THEIR AGREEMENT AREA OVERLAPS THAT GRANTED TO CONOCO BY A FEW KILOMETERS, ALTHOUGH THIS IS PROBABLY MORE DRAFTING ERROR THAN A DELIBERATE ATTEMPT TO GRANT MONCRIEF RIGHTS IN BUFFER ZONE ACCORDING TO TERMS OF MONCRIEF/GOI AGREEMENT, ALL OIL WOULD BE PURCHASED BY GOI AT AGREED PRICE.

6. CONOCO POINTED OUT RISKS INVOLVED IN UNDERTAKING EXPLORATION IN OCCUPIED TERRITORY. MONCRIEF EVIDENTLY ASSURED BY ISRAELIS, HOWEVER, THAT IF THERE IS EVER FURTHER PULL BACK IN THIS AREA, COMPANY WILL BE FULLY COMPENSATED FOR ITS EXPENSES. CONOCO REJECTED MONCRIEF PROPOSAL FLATLY, ACCORDING TO VISITING REPS.

7. COMMENT:
GIVEN POSSIBILITY THAT UN MAY DECIDE THAT ISRAELI AGREEMENT
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WILL HAVE TO BE GAINED BEFORE EGYPTIAN EXPLORATION ACTIVITY CAN TAKE PLACE IN BUFFER ZONE, SITUATION IN WHICH MONCRIEF ACTIVELY EXPLORES FOR AND DISCOVERS OIL IN SINAI WHILE EGYPTIAN ACCESS TO BUFFER ZONE IS STILL BEING DEBATED COULD WELL DEVELOP.
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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
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